

Message Text

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UNCLAS SECTION 01 OF 02 OECD PARIS 27478

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SUBJECT: XCSS AGENDA AND STATEMENT BY OECD SEC GEN

1. QUOTED BELOW IS FULL TEXT OF STATEMENT MADE BY SEC GEN VAN LENNEP AT COUNCIL MEETING NOV. 18, 1974 CONCERNING XCSS MEETING OF NOV. 25-26, 1974.

"FOLLOWING TRADITIONAL PRACTICE AND RESPONDING AT THE SAME TIME TO QUESTIONS RAISED BY SEVERAL DELEGATIONS OVER THE LAST FEW DAYS, I WOULD LIKE TO MAKE A BRIEF STATEMENT ON THE AGENDA OF THE NEXT MEETING OF THE EXECUTIVE COMMITTEE IN SPECIAL SESSION SCHEDULED FOR 25TH AND 26TH NOVEMBER.

WE WILL HAVE THE AGENDA THE INTER-RELATED ITEMS 'THE ROLE OF INTERNATIONAL CAPITAL MOVEMENTS IN THE FRAMEWORK OF INTERNAL AND EXTERNAL EQUILIBRIUM' AND 'ISSUES PERTAINING TO INTERNATIONAL INVESTMENT INCLUDING THE ACTIVITIES OF MULTINATIONAL ENTERPRISES'. THE NOTES CIRCULATED FOR THESE ITEMS ARE DOCUMENTS CE (74)4 AND CE (74)L5. AN UP-DATING ADDENDUM TO CE(74)4, WHICH DISCUSSES BRIEFLY HOW FAR THE ANALYSIS OF THE ORIGINAL DOCUMENT NEEDS TO BE MODIFIED IN THE LIGHT OF THE DEVELOP-

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MENTS WHICH HAVE TAKEN PLACE IN A RATHER SPECTACULAR WAY

SINCE THE ORIGINAL DOCUMENT WAS WRITTEN, HAS NOW BEEN DISTRIBUTED, TOO.

THERE WILL ALSO BE ON THE AGENDA AN ITEM FOR A GENERAL POLICY DISCUSSION WHICH WE HAVE CALLED 'INTERNATIONAL ECONOMIC DEVELOPMENTS; CO-OPERATION ON TRADE AND RELATED ISSUES'. THE PURPOSE OF THIS AGENDA ITEM IS TO PROVIDE AN OPPORTUNITY TO FOLLOW UP, WITHIN THE SPECIFIC COMPETENCE OF THE COMMITTEE' THE AREAS IN WHICH REINFORCED INTERNATIONAL CO-OPERATION SEEMS PARTICULARLY URGENT. AS YOU KNOW, THE EXECUTIVE COMMITTEE IN SPECIAL SESSION WILL MEET RIGHT AFTER THE MEETINGS OF THE ECONOMIC POLICY COMMITTEE AND ITS WORKING PARTY NO. 3. IT WILL THUS BE ABLE TO BENEFIT FROM THESE DISCUSSIONS--WITHOUT OF COURSE WISHING TO DUPLICATE THEM--WHICH HAVE THEN TAKEN PLACE IN THESE TWO BODIES BETWEEN THOSE RESPONSIBLE IN CAPITALS FOR ECONOMIC AND MONETARY POLICY ISSUES. THE SECRETARIAT'S FORECASTS FOR THE MEETING OF THE ECONOMIC POLICY COMMITTEE AND ITS WORKING PARTY NO. 3 SUGGEST--AND I THINK THEY WILL PROBABLY BE GENERALLY CONFIRMED BY MEMBER GOVERNMENTS--THAT WE WILL BE FACED IN THE PERIOD AHEAD WITH EXTREMELY SERIOUS ECONOMIC POLICY ISSUES. WE WILL SEE A VERY WEAK TREND OF ECONOMIC ACTIVITY WITH INFLATION REMAINING FOR THE OECD AREA AS A WHOLE AT A VERY HIGH RATE AND WITH STILL VERY DIFFICULT BALANCE OF PAYMENTS PROBLEMS FOR A LARGE NUMBER OF OUR MEMBER COUNTRIES. IN THIS CONTEXT, IT IS PARTICULARLY IMPORTANT THAT BEHIND THE GENERAL PICTURE OF PRACTICALLY NO OR ONLY VERY SMALL ECONOMIC GROWTH IN THE PERIOD TO COME, A LOT OF DIFFERENT STRUCTURES OF BOTTLENECKS EMERGING FROM A DECLINE OF BRANCHES OF PARTICULAR INDUSTRIES AND INCREASING UNEMPLOYMENT ARE LIKELY TO APPEAR IN MEMBER COUNTRIES. WE SEE THIS DEVELOPMENT NOW MUCH CLEARER THAN COULD BE ENVISAGED WHEN THE OECD MEMBER COUNTRIES ADOPTED THE TRADE PLEDGE IN MAY. AND WE ALSO SEE THE DANGER, ARISING FROM THIS SITUATION, FOR INCREASED PRESSURE ON GOVERNMENTS TO TAKE PARTICULAR DESTRUCTIVE ACTIONS IN RESPECT OF INTERNATIONAL TRADE, PAYMENTS, FOREIGN INVESTMENT AND BILATERAL RELATIONS, NOTABLY WITH THIRD COUNTRIES, WHICH WOULD CREATE DISTORTIONS AND MIGHT AGGRAVATE THE GENERAL ECONOMIC SITUATION EVEN MORE IN A DANGEROUS

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WAY. IT IS FOR THESE REASONS THAT I THINK THE EXECUTIVE COMMITTEE IN SPECIAL SESSION SHOULD TAKE THE OPPORTUNITY TO LOOK AHEAD AT THIS STAGE AND SEE WHAT KIND OF PARTICULAR SECTORAL PROBLEMS COULD EMERGE WHICH MIGHT BE USEFULLY DISCUSSED AT THE NEXT MEETING.

I WOULD SUGGEST THAT THE DISCUSSIONS MIGHT TOUCH UPON THE FOLLOWING ISSUES.

STRENGTHENED CO-OPERATION ON ENERGY IS ABOUT TO BE

ACCOMPLISHED AND WILL HELP, INTER ALIA, TO DEVELOP POLICIES AIMED AT REDUCING DEPENDENCE ON OIL IMPORTS, THUS BRINGING ABOUT IN THE TIME AHEAD A REDUCTION OF THE BALANCE OF PAYMENTS DEFICIT CREATED BY THE RISE IN OIL PRICES. THE COMMITTEE WOULD CERTAINLY WISH TO EMPHASIZE THE IMPORTANCE OF THIS POLICY.

PRESENT THINKING ON INTERNATIONAL CO-OPERATION WITH

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INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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REGARD TO CAPITAL MOVEMENTS AND THE ISSUES PERTAINING TO INTERNATIONAL INVESTMENT INCLUDING THE ACTIVITIES OF MULTI-NATIONAL ENTERPRISES WILL BE DISCUSSED BY THE COMMITTEE, AND THE DOCUMENTS FOR THESE AGENDA ITEMS HAVE BEEN CIRCULATED.

THE DISCUSSION SHOULD THEN CONCENTRATE MORE PARTICULARLY ON THE DANGERS THAT THE PRESENT SITUATION ENTAILS FOR INTERNATIONAL TRADE. WE SHOULD ALREADY NOW HAVE A FIRST POSSIBILITY OF AN EXCHANGE OF VIEWS ON THE TURE OF THE TRADE PLEDGE. WHAT WILL BE THE SITUATION AFTER THE YEAR HAS ELAPSED IN WHICH THIS TRADE PLEDGE IS VALID?

WHAT WILL BE THE VIEWS OF MEMBER GOVERNMENTS WITH RESPECT TO THE ADDITIONAL DEFENCES NEEDED IN THE FIELD OF TRADE AND BALANCE OF PAYMENTS? I THINK IT IS ESSENTIAL THAT WE CONSIDER STRENGTHENING AND ENLARGING PARTICULAR FORMS OF CO-OPERATION AMONG MEMBER COUNTRIES. COULD, FOR INSTANCE, A NEW IMPETUS BE GIVEN TO BUILDING UP A CONCEPT FOR IMPROVED POLICY CO-OPERATION AMONGST OECD COUNTRIES IN THE FIELD OF SECTORAL INDUSTRIAL POLICIES AND IN THE FIELD OF TRADE ON ISSUES SUCH AS IMPORT RESTRICTIONS,
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EXPORT CONTROLS, OFFICIAL SUPPORT TO EXPORT CREDIT AND GOVERNMENT PURCHASING? IN MY CONTACTS WITH SEVERAL MEMBER COUNTRIES, SUGGESTIONS TO THAT EFFECT HAVE BEEN MADE. IT IS TRUE THAT PART OF THE ISSUES WILL ALSO BE DEALT WITH IN THE FRAMEWORK OF THE MULTILATERAL TRADE NEGOTIATIONS THAT WILL HOPEFULLY START SOON; BUT I THINK THAT WE SHOULD, AMONG OECD COUNTRIES, PRESS AHEAD TO CURE THE CAUSE RATHER THAN THE SYMPTOM OF THESE MATTERS, AND I THINK IT IS WORTHWHILE AT LEAST TO OPEN DISCUSSIONS ON THESE ISSUES.

IN ADDITION, THE COMMITTEE MIGHT WISH TO DISCUSS CERTAIN CRITICAL SECTORAL PROBLEMS WHICH CANNOT BE DEALT WITH BY DEMAND MANAGEMENT POLICIES ALONE, AND WHICH ARE THEREFORE NOT PARTICULAR ISSUES FOR DISCUSSION IN THE FRAMEWORK OF THE ECONOMIC POLICY COMMITTEE. I AM THINKING OF SECTORS SUCH AS THE AUTOMOBILE INDUSTRY WHERE NO AMOUNT OF GLOBAL REFLATION COULD ENTIRELY SOLVE THE DIFFICULTIES NOW BEING FACED, AND INDEED NO REFLATION SHOULD BE USED FOR THIS PURPOSE. WE COULD PERHAPS UNDERTAKE IN THE IMMEDIATE FUTURE SOME USEFUL WORK FOR THIS INDUSTRY, WHICH IS IN A PERIOD OF DIFFICULT TRANSITION. THERE ARE OF COURSE PROBLEMS IN OTHER SECTORS OF OUR ECONOMY AS WELL. I AM THINKING IN THIS CONTEXT OF STRUCTURAL STEEL, PAPER AND FERTILIZERS WHERE PRESENT SHORTAGES COULD NOT BE OVERCOME BY MACRO-ECONOMIC POLICIES OF DEMAND RESTRAINT SHORT OF CREATING AN UNACCEPTABLE DEGREE OF SLACK. SEVERAL LINES OF ACTION BE ENVISAGED. IN THE STEEL INDUSTRY, IT COULD BE USEFUL TO RE-EXAMINE THE MEDIUM-TERM PROSPECTS FOR CAPACITY AND THE POSSIBILITY OF RE-ORIENTATION OF INVESTMENT AND PRODUCTION PROGRAMS. THERE ARE MORE ISSUES OF THE SAME NATURE; AND WE COULD TRY TO SEE WHETHER INDIVIDUAL COUNTRIES WOULD FEEL IT USEFUL TO HAVE AN EXCHANGE OF VIEWS OF SUGGEST PARTICULAR WORK TO BE DONE IN THE ORGANIZATION.

THE APPROACH IN THE OECD TO THESE PROBLEMS WOULD OF COURSE NEED TO BE BOTH SECTORAL, (UNDERScoreD) GEARED TO INVESTMENT, EMPLOYMENT, PRODUCTION AND DEMAND, AND GLOBAL (UNDERScoreD), HAVING IN MIND THE IMPLICATIONS OF THE CHANGE FOR THE OVERALL PRODUCTIVE CAPACITY OF

MEMBER COUNTRIES. WHILE IT IS TRUE THAT WE HAVE IN THE
OECD VARIOUS BODIES WORKING ON THESE MATTERS, I THINK
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THAT IT IS EXACTLY THE VOCATION OF THE EXECUTIVE COMMIT-
TEE IN SPECIAL SESSION WHICH DEALS WITH THE ECONOMIC
RELATIONS BETWEEN MEMBER COUNTRIES, TO GIVE AN OPPORTUN-
TIY FOR THE HIGH OFFICIALS COMING TO THE MEETINGS OF
THIS COMMITTEE TO HAVE A FREE EXCHANGE OF VIEWS ON THESE
CRITICAL ISSUES. I MAY ADD THAT I THINK THE SECTOR-
AL ISSUES IN OUR ECONOMIES WILL BECOME MORE IMPORTANT IN
THE YEAR AHEAD THAN THEY HAVE EVER BEEN SINCE THE PERIOD
IMMEDIATELY AFTER THE WAR."
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